Government of Canada Gouvernement du Canada

Department of Finance Canada

Canada

The Fiscal Monitor
A publication of the Department of Finance

Highlights

March 2015: budgetary deficit of $3.0 billion

There was a budgetary deficit of $3.0 billion in March 2015, down $3.7 billion from the budgetary deficit reported for March 2014. Revenues increased by $4.6 billion, or 18.6 per cent, reflecting significant increases in corporate income tax revenues and other revenues. Program expenses increased by $1.3 billion, or 4.5 per cent, reflecting increases in major transfers to persons and other levels of government and direct program expenses. Public debt charges decreased by $0.4 billion, or 16.6 per cent, largely reflecting a lower average effective interest rate on the stock of interest-bearing debt.

April 2014 to March 2015: budgetary surplus of $2.9 billion

For the April to March period of the 2014–15 fiscal year, the Government posted a budgetary surplus of $2.9 billion, compared to a deficit of $11.4 billion reported for the same period of 2013–14. Revenues were up $11.7 billion, or 4.4 per cent, reflecting increases in most revenue streams. Program expenses were down $1.2 billion, or 0.5 per cent, reflecting a decrease in direct program expenses, offset in part by increases in major transfers to persons and other levels of government. Public debt charges were down $1.5 billion, or 5.3 per cent, reflecting a lower average effective interest rate on interest-bearing debt.

The April 2014 to March 2015 monthly results are not the final results for the year as a whole. The final results will also reflect end-of-year adjustments that will be made once further information becomes available, including the accrual of tax revenues reflecting assessments of tax returns and valuation adjustments for assets and liabilities. In addition, these results do not include the fiscal impact of announced Government initiatives such as enhancements to the New Veterans Charter ($1.6 billion) and the Universal Child Care Benefit ($1.1 billion). The fiscal impact of these initiatives will be recorded once Bill C-59, the *Economic Action Plan 2015 Act, No. 1*, receives Royal Assent. Taking these and other expected year-end adjustments into account, results to date are broadly in line with a small deficit in 2014–15, as projected in Budget 2015.

The Government will release the final audited outcome for 2014–15 in the *Annual Financial Report of the Government of Canada* in the fall.

March 2015

There was a budgetary deficit of $3.0 billion in March 2015, down $3.7 billion from the budgetary deficit reported for March 2014.

Revenues in March 2015 totalled $29.1 billion, up $4.6 billion, or 18.6 per cent, from March 2014.

- Personal income tax revenues were up $0.6 billion, or 5.5 per cent, reflecting timing issues which lowered February 2015 results but increased the March 2015 results.
- After declining in January and February, corporate income tax revenues were up $2.4 billion, reflecting, in part, timing issues.
- Non-resident income tax revenues were up $0.1 billion, or 10.6 per cent.
- Excise taxes and duties were up $0.1 billion, or 2.5 per cent. Goods and Services Tax (GST) revenues increased by $14 million, energy taxes decreased by $0.1 billion, and customs import duties and other excise taxes and duties each increased by $0.1 billion.

- Employment Insurance (EI) premium revenues were down $9 million, or 0.4 per cent, reflecting a one-time downward adjustment in March 2015 to incorporate updated information on EI premiums for the fiscal year as a whole.
- Other revenues, consisting of net profits from enterprise Crown corporations, revenues of consolidated Crown corporations, revenues from sales of goods and services, returns on investments, net foreign exchange revenues and miscellaneous revenues, were up $1.4 billion, or 33.7 per cent, reflecting updated information on Crown corporations.

Program expenses in March 2015 were $30.2 billion, up $1.3 billion, or 4.5 per cent, from March 2014.

- Major transfers to persons, consisting of elderly, EI and children's benefits, increased by $0.6 billion, or 9.1 per cent. Elderly benefits increased by $0.2 billion, or 5.4 per cent, due to growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments increased by $0.6 billion, or 35.7 per cent. Children's benefits, which consist of the Canada Child Tax Benefit and the Universal Child Care Benefit, decreased by $0.2 billion, or 12.1 per cent.
- Major transfers to other levels of government consist of federal transfers in support of health and other social programs (primarily the Canada Health Transfer and the Canada Social Transfer), fiscal arrangements and other transfers (Equalization, transfers to the territories, as well as a number of smaller transfer programs), transfers to provinces on behalf of Canada's cities and communities, and the Quebec Abatement. Major transfers to other levels of government increased by $0.3 billion, or 6.3 per cent, reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories as well as a decrease in estimated recoveries under the Quebec Abatement, which are netted against major transfers to other levels of government. These increases were offset in part by a decrease in transfers to Canada's cities and communities.
- Direct program expenses include transfer payments to individuals and organizations not included in major transfers to persons and other levels of government, and other direct program expenses, which consist of operating expenses of National Defence, other departments and agencies, and expenses of Crown corporations. Direct program expenses were up $0.4 billion, or 2.1 per cent. Within direct program expenses:
  - Transfer payments increased by $0.8 billion, or 12.2 per cent, largely reflecting an increase in Aboriginal claims expenses.
  - Other direct program expenses decreased by $0.4 billion, or 3.7 per cent.

Public debt charges decreased by $0.4 billion, or 16.6 per cent, largely reflecting a lower average effective interest rate on the stock of interest-bearing debt.

April 2014 to March 2015

For the April to March period of the 2014–15 fiscal year, the Government posted a budgetary surplus of $2.9 billion, compared to a deficit of $11.4 billion reported for the same period of 2013–14.

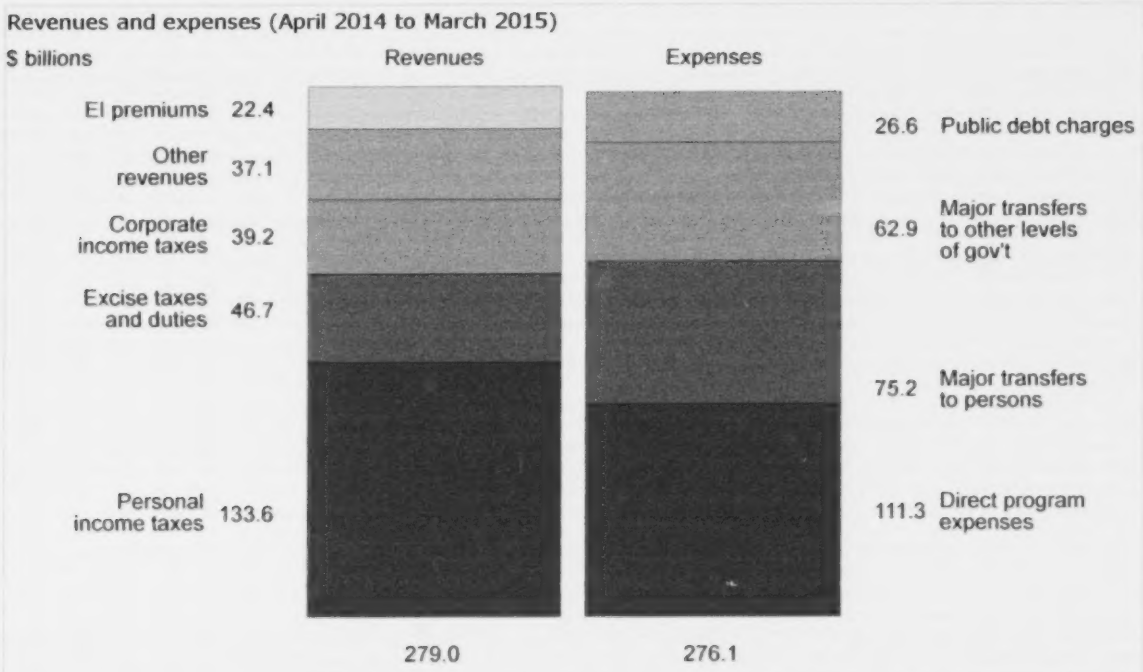
Revenues increased by $11.7 billion, or 4.4 per cent, to $279.0 billion.

- Personal income tax revenues were up $3.2 billion, or 2.5 per cent.
- Corporate income tax revenues were up $4.3 billion, or 12.2 per cent.
- Non-resident income tax revenues were down $0.2 billion, or 2.5 per cent.
- Excise taxes and duties were up $1.4 billion, or 3.0 per cent. GST revenues increased by $0.5 billion, or 1.8 per cent, energy taxes by $10 million, customs import duties by $0.3 billion, and other excise taxes and duties by $0.5 billion.
- EI premium revenues were up $0.8 billion, or 3.5 per cent, reflecting growth in earnings.
- Other revenues were up $2.3 billion, or 7.9 per cent.

Program expenses were $249.4 billion, down $1.2 billion, or 0.5 per cent, from the same period the previous year.

- Major transfers to persons were up $2.5 billion, or 3.4 per cent. Elderly benefits increased by $1.9 billion, or 4.5 per cent, reflecting growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments increased by $1.0 billion, or 5.5 per cent, and children's benefits were down $0.4 billion, or 2.8 per cent.
- Major transfers to other levels of government were up $2.5 billion, or 4.1 per cent, largely reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories.
- Direct program expenses were down $6.1 billion, or 5.2 per cent. Within direct program expenses:
  - Transfer payments decreased by $2.8 billion, or 7.2 per cent, largely reflecting the one-time accrual in 2013–14 of a liability for disaster assistance related to the 2013 flood in Alberta as well as a decrease in expenses associated with the revaluation of the Government's liability to Ontario for the province's one-third participation in the value of the Government's equity holdings in General Motors. These decreases were offset in part by an increase in Aboriginal claims expenses.
  - Other direct program expenses decreased by $3.4 billion, or 4.3 per cent, due in large part to a decrease in pension and benefit costs based on the Government's latest actuarial valuations.

Public debt charges decreased by $1.5 billion, or 5.3 per cent, largely reflecting a lower average effective interest rate on the stock of interest-bearing debt.



Note: Totals may not add due to rounding.

Financial requirement of $4.3 billion for April 2014 to March 2015

The budgetary balance is presented on an accrual basis of accounting, recording government revenues and expenses when they are earned or incurred, regardless of when the cash is received or paid. In contrast, the financial source/requirement measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by changes in the budgetary balance but also by the cash source/requirement resulting from the Government's investing activities through its acquisition of capital assets and its loans, financial investments and advances, as well as from other activities, including payment of accounts payable and collection of accounts receivable, foreign exchange activities, and the amortization of its tangible capital assets. The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

With a budgetary surplus of $2.9 billion and a financial requirement of $7.2 billion from non-budgetary transactions, there was a financial requirement of $4.3 billion for the April 2014 to March 2015 period, compared to a financial source of $15.5 billion for the same period the previous year. The change in the financial source/requirement over the previous year mainly reflects reduced repayments in 2014–15 of principal on assets maturing under the Insured Mortgage Purchase Program, offset in part by the improvement in the budgetary balance in 2014–15.

Net financing activities up $6.2 billion

The Government financed the financial requirement of $4.3 billion and increased cash balances by $1.9 billion by increasing unmatured debt by $6.2 billion. The increase in unmatured debt was achieved primarily through the issuance of marketable bonds.

The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. Cash balances at the end of March 2015 stood at $28.0 billion, up $1.9 billion from their level at the end of March 2014.

Table 1
Summary statement of transactions
$ millions

	March		April to March	
	2014[1]	2015	2013–14[1]	2014–15
Budgetary transactions				
Revenues	24,530	29,099	267,347	279,022
Expenses				
Program expenses	-28,889	-30,176	-250,645	-249,449
Public debt charges	-2,298	-1,917	-28,121	-26,632
Budgetary balance (deficit/surplus)	-6,657	-2,994	-11,419	2,941
Non-budgetary transactions	13,481	2,517	26,889	-7,216
Financial source/requirement	6,824	-477	15,470	-4,275
Net change in financing activities	-10,996	36	-13,714	6,153
Net change in cash balances	-4,172	-441	1,756	1,878
Cash balance at end of period			26,072	27,952

Note: Positive numbers indicate a net source of funds. Negative numbers indicate a net requirement for funds.

[1] Certain comparative figures have been restated to reflect a change in the Government's accounting policy for bond buyback operations as reported in the *Annual Financial Report of the Government of Canada* for 2013–14.

Table 2
Revenues

	March			April to March		
	2014 ($ millions)	2015 ($ millions)	Change (%)	2013–14 ($ millions)	2014–15 ($ millions)	Change (%)
Tax revenues						
Income taxes						
Personal income tax	10,924	11,530	5.5	130,364	133,581	2.5
Corporate income tax	3,294	5,741	74.3	34,967	39,223	12.2
Non-resident income tax	602	666	10.6	6,543	6,378	-2.5
Total income tax	14,820	17,937	21.0	171,874	179,182	4.3
Excise taxes and duties						
Goods and Services Tax	2,072	2,086	0.7	30,461	30,998	1.8
Energy taxes	444	374	-15.8	5,436	5,446	0.2
Customs import duties	310	393	26.8	4,210	4,558	8.3
Other excise taxes and duties	363	416	14.6	5,271	5,732	8.7
Total excise taxes and duties	3,189	3,269	2.5	45,378	46,734	3.0
Total tax revenues	18,009	21,206	17.8	217,252	225,916	4.0
Employment Insurance premiums	2,428	2,419	-0.4	21,601	22,354	3.5
Other revenues	4,093	5,474	33.7	28,494	30,752	7.9
Total revenues	24,530	29,099	18.6	267,347	279,022	4.4

Note: Totals may not add due to rounding.

Table 3
Expenses

	March			April to March		
	2014 ($ millions)	2015 ($ millions)	Change (%)	2013–14 ($ millions)	2014–15 ($ millions)	Change (%)
Major transfers to persons						
Elderly benefits	3,591	3,786	5.4	41,862	43,763	4.5
Employment Insurance benefits	1,567	2,127	35.7	17,425	18,382	5.5
Children's benefits	1,348	1,185	-12.1	13,421	13,049	-2.8
Total	6,506	7,098	9.1	72,708	75,194	3.4
Major transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	2,544	2,676	5.2	30,543	32,114	5.1
Canada Social Transfer	1,018	1,049	3.0	12,215	12,582	3.0
Total	3,562	3,725	4.6	42,758	44,696	4.5
Fiscal arrangements and other transfers	1,916	1,959	2.2	19,833	20,506	3.4
Canada's cities and communities	110	15	-86.4	2,107	1,973	-6.4
Quebec Abatement	-357	-136	-61.9	-4,223	-4,234	0.3
Total	5,231	5,563	6.3	60,475	62,941	4.1
Direct program expenses						
Transfer payments						
Aboriginal Affairs and Northern Development	1,051	1,952	85.7	6,160	7,444	20.8
Agriculture and Agri-Food	317	417	31.5	1,539	1,290	-16.2

Employment and Social Development	857	929	8.4	6,128	6,097	-0.5
Foreign Affairs, Trade and Development	1,323	1,511	14.2	3,872	3,904	0.8
Health	340	319	-6.2	2,830	2,949	4.2
Industry	582	414	-28.9	2,803	2,399	-14.4
Other	1,825	1,522	-16.6	15,125	11,604	-23.3
Total	6,295	7,064	12.2	38,457	35,687	-7.2
Other direct program expenses						
Crown corporations	632	1,303	106.2	7,445	8,226	10.5
National Defence	4,051	3,426	-15.4	22,626	21,804	-3.6
All other departments and agencies	6,174	5,722	-7.3	48,934	45,597	-6.8
Total other direct program expenses	10,857	10,451	-3.7	79,005	75,627	-4.3
Total direct program expenses	17,152	17,515	2.1	117,462	111,314	-5.2
Total program expenses	28,889	30,176	4.5	250,645	249,449	-0.5
Public debt charges[1]	2,298	1,917	-16.6	28,121	26,632	-5.3
Total expenses	31,187	32,093	2.9	278,766	276,081	-1.0

Note: Totals may not add due to rounding.

[1] Comparative figures have been restated to reflect a change in the Government's accounting policy for bond buyback operations as reported in the *Annual Financial Report of the Government of Canada* for 2013–14.

Table 4
The budgetary balance and financial source/requirement
$ millions

	March		April to March	
	2014	2015	2013–14	2014–15
Budgetary balance (deficit/surplus)	-6,657	-2,994	-11,419	2,941
Non-budgetary transactions				
Capital investment activities	-195	-253	-3,847	-3,802
Other investing activities	3,861	-61	40,670	3,040
Pension and other accounts	727	-86	5,485	2,018
Other activities				
Accounts payable, receivables, accruals and allowances	8,302	7,749	-5,457	832
Foreign exchange activities	644	-4,872	-13,513	-12,756
Amortization of tangible capital assets	142	40	3,551	3,452
Total other activities	9,088	2,917	-15,419	-8,472
Total non-budgetary transactions	13,481	2,517	26,889	-7,216
Financial source/requirement	6,824	-477	15,470	-4,275

Note: Totals may not add due to rounding.

Table 5
Financial source/requirement and net financing activities
$ millions

	March		April to March	
	2014	**2015**	**2013–14**	**2014–15**
Financial source/requirement	6,824	-477	15,470	-4,275
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	-8,864	4,397	4,273	14,495
Treasury bills	-1,800	-9,500	-27,700	-17,300
Retail debt	-55	-22	-1,191	-684
Other	0	0	0	0
Total	-10,719	-5,125	-24,618	-3,489
Foreign currency borrowings	-242	4,553	5,227	4,237
Total	-10,961	-572	-19,391	748
Cross-currency swap revaluation	20	125	5,745	4,343
Unamortized discounts and premiums on market debt[1]	-76	169	-57	1,112
Obligations related to capital leases and other unmatured debt	21	314	-11	-50
Net change in financing activities	-10,996	36	-13,714	6,153
Change in cash balance	-4,172	-441	1,756	1,878

Note: Totals may not add due to rounding.

[1] Comparative figures have been restated to reflect a change in the Government's accounting policy for bond buyback operations as reported in the *Annual Financial Report of the Government of Canada* for 2013–14.

Table 6
Condensed statement of assets and liabilities
$ millions

	March 31, 2014	March 31, 2015	Change
Liabilities			
Accounts payable and accrued liabilities	111,421	120,001	8,580
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	473,319	487,814	14,495
Treasury bills	152,990	135,690	-17,300
Retail debt	6,327	5,643	-684
Subtotal	632,636	629,147	-3,489
Payable in foreign currencies	16,030	20,267	4,237
Cross-currency swap revaluation	2,326	6,669	4,343
Unamortized discounts and premiums on market debt	3,184	4,296	1,112
Obligations related to capital leases and other unmatured debt	4,782	4,732	-50
Total unmatured debt	658,958	665,111	6,153
Pension and other liabilities			
Public sector pensions	153,083	152,408	-675
Other employee and veteran future benefits	71,409	73,964	2,555
Other liabilities	5,914	6,052	138
Total pension and other liabilities	230,406	232,424	2,018

Total interest-bearing debt	889,364	897,535	8,171
Total liabilities	1,000,785	1,017,536	16,751
Financial assets			
Cash and accounts receivable	128,574	138,200	9,626
Foreign exchange accounts	72,262	85,018	12,756
Loans, investments, and advances (net of allowances)[1]	117,635	112,189	-5,446
Total financial assets	318,471	335,407	16,936
Net debt	682,314	682,129	-185
Non-financial assets	70,433	70,783	350
Federal debt (accumulated deficit)	611,881	611,346	-535

Note: Totals may not add due to rounding.

[1] March 31, 2015 amount includes $2.4 billion in other comprehensive losses from enterprise Crown corporations and other government business enterprises for the April 2014 to March 2015 period.

Note: Unless otherwise noted, changes in financial results are presented on a year-over-year basis.

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